GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:4471
ANSWERED ON:22.12.2005
MIDDLEMEN IN DEFENCE DEALS
Purandeswari Smt. Daggubati

Will the Minister of DEFENCE be pleased to state:

(a) whether despite issue of orders, middlemen are still thriving in defence deals;

(b) if so, the reasons therefor and the reaction of the government thereto; and

(c) the steps proposed to eliminate the role of middlemen in defence purchase?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a) to (c): Defence Procurement Procedure 2005 followed for capital acquisition allows direct dealing with Original Equipment Manufacturer (OEMs)/Authorized Vendors/Government sponsored Export Agencies (applicable in case of countries where domestic Laws do not permit direct exports by OEMs). Further the procedure incorporates several provisions to ensure transparency and cut down delays in the procurement process. Some of these provisions include the following:-

(i) Making Qualitative Requirements more broad based so as to avoid single vendor situations.

(ii) Direct Offsets and Integrity Pact as part of the Request for Proposal (RFP) for Purchases over Rs. 300 crore.

(iii) Standard contract terms upfront as part of the RFP. This includes provision regarding penalty for use of undue influence by the seller and prohibit engagement of any agent or payment of agency commission by the seller.

(iv) Broad timeframe for completion of different procurement activities.